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February 13, 1997

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W. Room 222
Washington, D.C. 20036

RE: Docket Nos. 96-262, 94-1, 91-213, 96-263

Dear Mr. Caton:

Enclosed for filing before the Federal Communication Commission please find herewith an original and 16 copies of **Reply Comments Of The Group Of State Consumer Advocates** to be filed in the above consolidated dockets. Also enclosed is a disk containing said Comments pursuant to the Notice requirements. Please file stamp the enclosed extra copy and return in the self addressed stamped envelope.

Very truly yours,

Martha S. Hogerty
Public Counsel, State of Missouri

On Behalf of:
State Consumer Advocates

MSH/bjr

Enc.

cc: Competitive Pricing Division
Common Carrier Bureau
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Transport Rate Structure and Pricing	)	CC Docket No. 91-213
	)	
Usage of the Public Switched Network by Information Service and Internet Access Providers	)	CC Docket No. 96-263

REPLY COMMENTS OF THE GROUP OF
STATE CONSUMER ADVOCATES

By their counsel:

MARTHA S. HOGERTY
(Mo. Bar # 30052)
Public Counsel, State of Missouri

On Behalf of:

STATE CONSUMER ADVOCATES

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I. SUMMARY

1. The State Advocates are pleased that NARUC has proposed the same treatment of the interstate NTS costs. The key elements of both the State Advocate and NARUC proposals are that (a) all interstate NTS costs be assessed to the IXCs; and (b) the IXCs be free to recover those costs in any legal way the market will allow, "as long as the charge to the end-users comes from the IXCs and not the LEC."

2. This pricing should be controlled by the market that exists between the IXCs and the end users, and not controlled by the LECs. It is clear that the market between the IXCs and the end users is much more competitive than is the provision of local exchange and switched access services by the LECs.

3. The end user does not "purchase" the subscriber line facility. End users "purchase" telephone services, not facilities. The telephone companies install common line facilities in order to provide a group of services. Some services "purchased" are by the end user and some services are "purchased" by the toll carriers.

4. Payments by the IXCs towards a portion of the common line cost is not a "tax" in support of universal service. There is absolutely no requirement that the IXCs use the LECs' common lines to connect traffic to and from premises. The CCLC is a payment towards a portion of the costs of the common line facilities, which the IXCs pay only when they <u>choose</u> to share those common line facilities.

5. The total amount of common line costs may be lower than current revenues if forward-looking declining costs are recognized. Thus, lowering access charges may be appropriate, but shifting costs to the services is not appropriate.

II. INTRODUCTION

A group of state consumer advocates have joined to submit these Reply Comments (State Advocates) herein. Many of these State Advocates were created by state legislatures in order to represent consumers before state and federal regulatory agencies. The consumer advocates filing these Comments are as follows:

California The Utility Reform Network
District of Columbia
  Office of the People's Counsel
Florida Office of the Public Counsel
Indiana Office of Utility Consumer
  Counselor
Iowa Office of Consumer Advocate
Maryland Office of People's Counsel
Missouri Office of the Public Counsel
New Jersey Division of the Ratepayer
  Advocate
Minnesota Office of Attorney General
Pennsylvania Office of Consumer
  Advocate
Washington Office of Attorney General
  Public Counsel Section

III. THE COMPETITIVE MARKET SHOULD BE ALLOWED TO DETERMINE HOW THE INTERSTATE ACCESS COSTS ARE RECOVERED

The National Association of Regulatory Utility Commissioners (NARUC), in its Comments, has proposed the same treatment of the interstate non-traffic sensitive (NTS) costs as State Advocates propose. (NARUC Comments, p. 13) This solution was not suggested in the Notice. These two groups, whose members are charged in various ways with representing the public interest, have arrived at virtually the same conclusion, indicating that this solution is in the public interest.

Key elements of both the State Advocates and NARUC proposals are:

(1) that all interstate NTS costs be assessed to the interexchange carriers (IXC)s; and

(2) the IXCs be free to recover those costs in any legal way the market will allow, "as long as the charge to the end-users comes from the IXCs and not the LEC."[1] [2] (NARUC Comments, p. 13)

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[1]Of course, the IXCs pricing will have to comply with all other legal requirements, such as the requirement contained in the Telecommunications Act of 1996 (TA96) Section 254(g), which requires IXCs' rates be no higher in rural and high cost areas than they are in urban areas, and no higher in one state than in another state.

NARUC is entirely correct when it states:

> Moreover, in general accord with the professed preferences of Congress, this approach allows the market place to determine how NTS costs are ultimately recovered from the end users rather than prescribing they be recovered in the same way in all cases." (NARUC Comments, p. 13)

The FCC should not prescribe the portion of the interstate common line costs billed to the end users in the form of a fixed monthly charge, and what portions are to be recovered in other ways. The FCC has already determined that the interexchange market is competitive.[3] The FCC has stated that the competitive markets should be allowed to set prices once those competitive markets have developed. (¶ 149 and ¶ 150 of the Notice) The continued prescription of a specific form and dollar amount for the interstate common line cost recovery is inconsistent with the FCC's finding that the interexchange market is competitive.[4]

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[2]NARUC's proposal also includes a specific recommendation as to how the interstate common line costs are to be distributed among the IXCs. (Page 13, NARUC Comments) As stated in our Initial Comments, the State Advocates do not have a strong preference as to how these costs are distributed among the IXCs, but we do present several possibilities in our Initial Comments.

[3]¶150 of the Notice on Proposed Rulemaking, Third Report and Order, and Notice of Inquiry in CC Docket No. 96-262 et al., released December 24, 1996 (hereinafter referred to as "Notice."). For example, the FCC has determined that even AT&T is no longer a dominant carrier. (¶ 193 of the Notice)

[4]The State Advocates recognize that many consider the underlying provision of interexchange service to be oligopolistic. To help assure that the end user price is determined by a competitive market, State Advocates recommend that the FCC monitor the pricing which occurs. Specifically, the FCC should have its staff report relevant information annually. This information should include any reports or indications that interexchange wholesalers or carriers are exerting pressure on, or "guidance" to, other IXCs or resellers pertaining to how much of the interexchange costs should be billed to the end users as a fixed monthly charge. This information should also include the extent to which the major IXCs are offering pricing options to the residential and small business end users which includes no, or a reasonable fixed monthly fee. The uniformity among the major IXCs of the fixed monthly fee in their most popular residential and small business rates should be reported. In the event this or other information indicates pricing cooperation among the IXCs, or a lack of meaningful

IV. ALLOWING THE INDEPENDENT LOCAL EXCHANGE CARRIERS (ILECS) TO CONTROL THIS RECOVERY IS NOT "MARKET-BASED"

It is important that this pricing be controlled by the market that exists between the IXCs and the end users, not controlled by the local exchange carriers (LECs). This is important because it is clear that the market between the IXCs and the end users is much more competitive than is the provision of local exchange and switched access services by the LECs. The FCC has properly recognized this. (¶ 216 of the Notice) Virtually all end users have a choice of obtaining interexchange toll service from numerous competing IXCs, but only in relatively few locations is there more than one company providing switched access.[5] We agree with MCI on this matter.

> ...the so-called market approach will permit incumbent LECs to substantially exercise their market power. (MCI Comments, p. iii)

The recommendation of NARUC and the similar recommendation by the State Advocates are the proper solutions to the interstate common line cost recovery problem. For example, Sprint presents the problem of a residential customer whose heavy toll usage generates carrier common line revenues of $150 per month. Sprint claims the solution to this problem is to recover all of the interstate common lines in the subscriber line charge (SLC). (Sprint Comments, p. 11) However, both the NARUC and State Advocates recommendations would solve this problem by having the full interstate common line costs billed to the IXCs as a fixed per line per month charge.[6] This

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choice being offered the end users, then the State Advocates reserve the right to reconsider and seek appropriate action.

[5]Even in those locations where competitive access providers (CAPs) operate, the CAPs normally provide access service primarily to high volume locations. Those high volume locations would normally otherwise be served primarily by the LECs' special access services, not switched access services.

[6]Pacific Telesis indicates that it expects its total interstate common line cost to be approximately $4.75 per month per line. (Page 61, Pacific Telesis' Comments) SWBT expects its total interstate common line cost to be approximately $4.80 per month per line. (Comments of SWBT, Page 6) Apparently these figures are

charge would be a fixed amount per month per line, and would not depend upon the level of traffic on a particular line. The IXCs would then be free to recover this charge from customers in any legal way the market would allow.

V. THE COMMON LINE FACILITY COSTS ARE NOT "CAUSED" BY THE LOCAL EXCHANGE SERVICES. THE COMMON LINE COSTS ARE "CAUSED" BY THE FULL GROUP OF SERVICES THAT SHARE THE COMMON LINE FACILITY[7]

Ameritech claims,

> Because all loop costs are caused by the provision of local exchange service to the end user,... (Ameritech Comments, p. 10)

This claim is obviously false. The costs of the common line facilities are "caused" by the entire group of services that share the common line facilities, not by any one service. An LEC or a competitive local exchange carrier (CLEC) will consider all relevant revenues that the common line facility will produce when making common line investment decisions. If a telephone company could generate $30 in net additional monthly revenues in return for incurring a $20 monthly loop cost, then providing that loop facility would be the financially correct decision,[8] regardless if the portion comes from basic exchange service or from other services.[9] The net revenue from the group

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based on embedded cost. Other commenters indicated that if determined on a forward-looking basis, these common line charges would be approximately one-half of the charges that are based on embedded costs. (MCI Comments, Table III-1, page 24; AARP/Consumer Federation/Consumers Union Comments, page ii)

[7]Common line refers to the facility that allows the connection of traffic between the end user premises and the telephone company central office used to provide switched telephone services. This definition of common line does not imply any particular technology (i.e. the common line could include copper pairs, fiber, coaxial cable, electronics, radio facilities, etc.).

[8]"Net revenues" refers to the net revenues after deducting all relevant non-loop costs from the revenues.

[9]For purposes of this hypothetical, non-financial considerations, if any, are not addressed.

of services provided over the common line facilities causes the decision to install the facilities.

Total telephone revenues are much higher than just the local exchange service revenues. The average amount directly billed to residential customers by the LECs is $41 to $29 per month (Sprint Comments, Exhibit 2, p. 5), but the LECs also receive access charges. The average total residential landline telephone bill is $70 to $45 per month. (Sprint Comments, Exhibit 2, p. 4) The revenues the LECs receive are somewhere between these two sets of figures.

The LECs or CLECs are not unaware of, and do not choose to ignore, revenues from services other than local exchange service when making common line investment decisions. If any ILEC did so, they would soon be put out of business by competitors who utilize a more rational decision making process, if effective competition existed.

The widely accepted economic definition of cost "causation" is that a cost is "caused" by a service only if that cost is avoided in the long run if that service is not offered while all other services continue to be provided. Facilities to carry traffic to and from premises are required if the LECs are to offer switched access services to the carriers, even if the LECs did not offer local service. The cost of the common line facility would not be avoided even if local services were not offered. Therefore, the common line facility cost does not meet the widely accepted economic definition of being "caused" by local exchange services.

A common industry argument is that toll or access could be provided using cellular or some competitive company's facilities. This argument is invalid. There is no "free" way to connect toll/access traffic to and from a premise, any more than there is a "free" way to connect local traffic to and from a premise. Note that cellular rates are much higher than the CCLC.[10] Loop costs would still exist regardless of the technology used or whether the LEC owns the loop facilities or rents them from someone else. The cost of the common line is no more "caused" by local exchange service than it is "caused" by toll or switched access services.

The FCC has found that the common line cost is a common cost with respect to interstate access service and local exchange service:

> The costs of local loops and their associated line cards in local switches, for example, are common with respect to interstate access service and local exchange service, because once these facilities are installed to provide one service they are able to provide the other at no additional cost. (¶ 678 of the Interconnection Order, CC Docket No. 96-98)

The "economic cost" of a service includes "a portion of the forward-looking joint and common costs." (¶ 675, FCC Interconnection Order) Therefore, the "economic costs" of interstate carrier common line service is greater than zero, since it must include a portion of the forward-looking common line cost.

The proposals to eliminate any form of CCLC to the IXCs must be rejected since they would result in pricing carrier common line access service below that service's economic cost. On the other hand, proposals to price the SLC to include the full interstate cost of the common line would price the SLC above its economic cost, because economic cost "properly includes "a <u>portion</u> of the forward-looking joint and common costs," not <u>all</u> of these joint and common costs. (¶ 675, FCC Interconnection Order, emphasis added)

The proposals to price the SLC to cover all of the interstate common line facility costs are also contrary to the TA96 requirement in §254(k) that,

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[10]The interstate CCLC varies by company, but averages approximately one cent per minute. ($3.7 billion CCLC revenue for Tier 1 companies from Table 1, ¶ 29 of the Notice divided by access minutes from Table 4.10 of the Joint Board Monitoring Report, CC Docket No. 87-339, May, 1996, equals approximately one cent.)

> ...services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide those services.

Universal services include the SLC since customers must pay the SLC to obtain local exchange service.[11]

In addition to the FCC, several parties have properly stated that the costs of the common lines should be shared by all services that share those facilities. For example,

> The subscriber loop costs should be borne by all users of the loop, including the IXCs. (Alltel Comments, p. 11)

Similar statements are contained in other parties' comments (i.e. Initial Comments of AARP, Consumer Federation of America, and Consumers Union, Page iii).

Because of the interdependence of communications, a common line facility to a given premise provides services to customers other than those located at that premise. This characteristic is unique to communication utilities. For example, the usefulness of electric service at one customer location does not depend on electric facilities connected to some other customer location. However, placing a toll call requires not only that there be a loop at the originating location, but also requires that there be a loop at the terminating location. The common line facilities are needed to provide services other than just those services originated by the end user directly connected to that particular common line facility.

Requiring each service to support a portion of the cost of the shared facility allows each service to pay less than they would have paid for separate facilities for each service. For many locations, sharing the common line facility is the most economical

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[11]It should be noted that several parties have proposed that the full interstate common line cost be recovered from the SLC, even for single line business and primary residential lines. (Comments of AT&T, pages 51 and 52; Comments of Sprint Corporation, pages 10 through 12; and Comments of Frontier Corporation, pages 2 and 4)

way to provide service. If each location required a separate "interstate access" loop and a separate "intrastate" loop, two loops to all locations would be needed. For most locations, having intrastate and interstate services share the same common line facilities results in less total costs and is the most economical way to provide service. A key step towards services sharing the use of a facility is the sharing of the costs of that facility. If one service would have to support the full cost of a facility, regardless of whether that facility is shared or not, then there would be no financial incentive for that service to participate in facility sharing with the other services. Absent that incentive, sharing would not occur, resulting in inefficient provision of services at many locations.

The Joint Board found that the relevant revenues to be compared to the benchmark cost were the revenues from the group of services that included enhanced services, access services, and local services.[12] The Joint Board properly recognized that it is the revenues from this group of services that are relevant, not just the local exchange revenues.

The cost of the common line facilities is "caused" by the group of services to be provided over those common line facilities, not just by the local exchange or "end user" services to be provided over those common line facilities. The appropriate price for each service that shares the common line facility must properly include recovery of a portion of the common line facility cost.

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[12]Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Recommended Decision, FCC 96J-3 (released November 8, 1996) (Joint Board Recommended Decision) at para. 310.

VI. THE END USERS DO NOT "PURCHASE" THE SUBSCRIBER LINE

AT&T claims:

> Thus, the fundamental flaw in the CCLC is that it is not assessed directly on the 'cost causing' purchaser of the subscriber line. (AT&T Comments, p. 52)

AT&T then states that the end user is the "purchaser" of the subscriber line. This is incorrect. End users may "purchase" certain telephone services, but they do not purchase telephone company facilities.

The end users do not "purchase" all of the services provided over the common line facilities. The telephone companies install common line facilities in order to provide a group of services, some of which are services "purchased" by the end user, and some of which are services "purchased" by the toll carriers. Toll carriers purchase switched access services from the LECs to both originate and terminate traffic. In addition, it is frequently the IXCs who contact the LEC to ask that that IXC be designated as the presubscribed interexchange carrier (PIC) for a particular location.[13] Carriers (CLECs/IXCs) purchase unbundled loops from the LECs. The LEC incurs the common line facility cost in a given area to meet the demands for all of the services that share the common lines, including originating and terminating interexchange traffic and vertical services. End users do not purchase, rent or lease the subscriber line facilities.

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[13]The IXC is supposed to do this only after receiving permission from the end user, although in some cases the carriers do not receive that permission, which is referred to as "slamming."

VII. PAYMENTS BY THE IXCS TOWARDS A PORTION OF THE COMMON LINE COST IS NOT A "TAX" IN SUPPORT OF UNIVERSAL SERVICE

Some IXCs claim that a carrier common line charge (CCLC) is a "tax" in support of universal service. (MCI Comments, pp. 38-39; Frontier Corporation Comments, p. 4) This is not true. Rather than a tax in support of universal service, the CCLC is a payment towards the cost of the common line facilities, which the IXCs pay only when they choose to use those facilities. There is absolutely no requirement that the IXCs use the LECs' common lines to connect traffic to and from premises. The IXCs are free to connect traffic to and from premises any way they choose. If the IXCs choose to utilize the LECs' common lines, they pay to support a portion of the cost; otherwise, they pay no CCLCs to the LECs. The IXCs' payments to support a portion of the common line costs are no more a subsidy to end users, than the end users' payments that support a portion of the common line costs are a subsidy to the IXCs.

VIII. FREE CARRIER COMMON LINE SERVICE IS ANTI-COMPETITIVE, COMPETITORS CANNOT COMPETE WITH "FREE"

Throughout its Notice, the FCC expressed the desire to develop a competitive switched access market in the future. However, many of the proposals presented would stymie the development of that competition. Several parties propose to eliminate the CCLC without a replacement carrier paid charge.[14] Giving the IXCs a free ride on the LECs' common lines is anti-competitive. A potential switched access competitor cannot compete with "free." Even the most efficient potential switched access competitor would have to incur costs to deliver traffic to and from premises, regardless of the technology used. Having the LECs provide free carrier common line access service is not the way to develop competition for those services. Even an efficient competitor cannot compete.

[14] Frontier Comments, pp. 2 and 4, AT&T and GTE; Sprint Corporation Comments, pp. 10-12; and AT&T Comments, pp. 51-52.

In a competitive market, a service generally cannot share a common facility without supporting a portion of the common facility's cost. For example, the costs of a newspaper are partly supported by the price the end user pays, and partly supported by payments from advertisers. Advertisers wish to use newspapers and magazines to deliver messages to the end users, just like toll carriers use the common lines to deliver messages to end users. In the open market, publications normally do not allow advertisers to use their publications at no charge to deliver messages to the end users.[15] Likewise, in a competitive market, it would be reasonable to expect that the company providing the common line facilities would charge the IXCs, when the IXCs utilized their common lines to deliver messages. The requests for the FCC to prescribe that the IXCs be allowed to share the common lines at no charge to the IXCs, is no more reasonable than asking the government to require all newspapers and magazines to carry advertisements at no charge to the advertisers. The interstate common line costs should be assessed to the IXCs, and the competitive market should determine how those IXCs recover those costs, just as the competitive market determines how a newspaper or magazine recovers its costs.

IX. CHARGING IXCS A PORTION OF THE LOOP COST DOES NOT CREATE AN ECONOMIC DISTORTION

Ameritech claims that "charging any portion" of the loop cost to the IXCs creates an economic distortion. (Ameritech Comments, p. 10) They claim,

> Even the Joint Board's proposed flat rate charge to the IXCs...creates an uneconomic incentive for IXCs to 'move' their end

[15]State Advocates recognize there is a full range of treatments that exist. For example, at one extreme some magazines and newspapers are entirely supported by the advertisers, with no charge to the end users. At the other extreme, some periodicals may accept no advertising, and therefore be fully end user supported, however, even those periodicals generally do not allow advertisers to use their periodical for free, they simply do not allow the advertiser to use them at all.

> user customers to CLECs who are not required to recover such a cost from their access services. (Ameritech's Comments, p. 10)

This "economic distortion" argument is false. If a CLEC provided free carrier common line service, they would be providing that service below its economic cost. The "economic cost" of carrier common line service is greater than zero because it properly includes a portion of the common line facility costs. A CLEC could not provide carrier common line access service below its economic cost, because the CLEC would not have monopoly local service ratepayers which it could force to support the below cost or free provision of carrier common line access services. Unlike the LECs, the CLECs probably will not have any significant local service monopoly power. They will be competing with an ILEC in virtually all geographic areas they serve.

Assume that a common line facility costs $20 per month for both an ILEC and equally efficient CLEC.[16] Further assume the ILEC is recovering $5 of that common line costs from interstate IXCs in a flat rated per month per line charge; $5 of these common line costs from state carrier access and imputed access in state toll; and recovering $10 of these common line cost from local services. If the CLEC chose not to recover any portion of its common line costs from access and toll services, that would mean the CLEC would have to attempt to recover the full $20 loop cost from its local services. The CLECs local services would then be priced $10 higher than the competitive ILEC's local services. Since it is very unlikely the CLEC would have any significant monopoly power over local services, they would be unable to extract that monopoly rent from their local exchange services. In order to avoid bankruptcy, the CLEC would have to recover a portion of its common line costs from the IXCs.

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[16]If the CLEC is more efficient than the ILEC, then the price advantage the CLEC gains from that greater efficiency is appropriate. In a competitive market, that would force the ILEC to either become more efficient, or properly lose market share to the more efficient CLEC.

Ameritech's claim that the CLECs will not be recovering a portion of their common line costs from their access services, when the LECs are, is false.

X. THE UNIVERSAL SERVICE FUND (USF) SHOULD NOT BE USED TO SUPPORT THE IXCS, THE TIC, OR INTERSTATE ACCESS SERVICES OF THE IXCS

The comments contained numerous proposals to utilize the USF for a wide variety of purposes. "Universal service funding may be appropriate for some IXCs." (Minnesota Independent Coalition's Comments, p. 11) Another party proposes that the TIC be recovered in the Universal Service support mechanism. (ITC Comments, p. 4)

The State Advocates remind the FCC that the TA96 requires that the federal universal service support mechanism only be used to support the designated services, and not for other purposes. (§ 254(e), (k))

The TIC, interstate transport, and interstate switched access are not services that the Joint Board has identified as being services to receive universal service support. (¶ 36, Joint Board Recommended Order)

XI. GEOGRAPHIC DEAVERAGING

As pointed out in the Initial Comments, there is clear evidence that some LECs intend to extract greater contribution from those areas where they have greater monopoly power than from those areas where they face competition. Geographic deaveraging is one way this improper practice could exist.

Other parties made the same point:

> The essential problem with geographic deaveraging is that it would allow an incumbent LEC to lower access charges in only those markets where it faced competitive entry. (MCI Comments, p. 50)

The State Advocates recommend that switched access rates not be geographically deaveraged for the reason discussed above.

XII. ACCESS RATES SHOULD BE REDUCED BY RECOGNIZING DECLINING INDUSTRY COSTS, NOT BY SHIFTING REVENUE RECOVERY FROM ONE SERVICE TO ANOTHER

State Advocates agree with MCI that,

> There are no generally accepted allocation methods capable of ensuring that rates based on separated costs will settle at the economic costs caused by each jurisdiction. Consequently, it is not correct to portray separations reform as a means to establish more efficient rates. (MCI Comments, p. 59)

Other parties propose to reduce access charges by shifting the cost recovery to someone else. The State Advocates urge the FCC to reject proposals to deal with access service pricing by shifting costs to other services. Shifting does not solve these problems, but simply moves them elsewhere. The State Advocates favor the concept of lower prices since overall industry costs are declining. However, if lower prices for some services are achieved simply by shifting costs to other services, that is not necessarily a net benefit to the consumer. For the consumer, reducing access charges by increasing end user charges is trading a "bird in the hand" for a "bird in the bush." An increase in the end user charges will definitely show up as an increase in the end users' bill. However, the amount, if any, of a reduction in access charges that will ultimately show up as a reduction in the end users' toll bills is less certain.

Rather than simply shifting costs from one service to another, the State Advocates recommend the FCC concentrate on identifying the impact of new technology and other industry wide efficiencies on the forward-looking costs of the industry. The FCC should reduce access charges consistent with industry cost reductions that have paved the way to lower rates in numerous jurisdictions around the country.

The State Advocates point out that information provided by various parties demonstrates that the forward-looking common line costs are approximately 50% of the current common line recovery.[17] This 50% reduction is based on declining costs; it is not based on shifting costs to other services.

XIII. CONCLUSION

The State Advocates recommend:

(1) all interstate common line costs should be assessed to the IXCs;

(2) the IXCs should be allowed to recover these costs in any legal manner that the competitive market will allow; and

(3) if declining costs are recognized, then that assessment may be less than the current total interstate common line recovery. However, any lowering of this total recovery should be as a result of recognizing lower costs, not as a result of shifting costs to other services.

Respectfully submitted,

STATE CONSUMER ADVOCATES

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[17]The 46.02% common line reduction on Table III-1 on page 24 of MCI's Comments, page 60 of MCI Comments, and Footnote 33 on page 22. The SLC would be reduced over 50% if forward-looking efficient levels were utilized. (Page ii, Comments of AARP, Consumer Federation of America, and Consumers Union)

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